

**BEFORE
THE FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554**

In the Matter of)	
Federal-State Joint Board on Universal)	Docket No. 96-45
Service)	FCC 01-J2

**COMMENTS OF
THE NATIONAL ASSOCIATION OF STATE UTILITY CONSUMER ADVOCATES**

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THE NATIONAL ASSOCIATION OF STATE UTILITY CONSUMER ADVOCATES**

The National Association of State Utility Consumer Advocates (“NASUCA”) presents these comments on the Lifeline and Link-Up programs to the Federal-State Joint Board on Universal Service (“Joint Board”).¹ NASUCA is an association of 44 consumer advocates in 40 states and the District of Columbia. NASUCA’s members are designated by the laws of their respective states to represent the interests of utility consumers before state and federal regulators and in the courts.²

The Lifeline and Link-Up programs are a key part of the national universal service goal (see 47 U.S.C. 254) and should be changed to enhance their role in ensuring that

[c]onsumers in all regions of the Nation, including low income consumers ... should have access to telecommunications and information services ... that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.

¹ See 47 U.S.C. 254(a)(1).

² See, e.g., Ohio Rev. Code Chapter 4911.

47 U.S.C. 254(b)(3). Much work remains to be done to fulfill the goals of the Act.

NASUCA proposes that the Joint Board recommend to the Federal Communications Commission (“Commission”) that the Commission:

- 1) Add a stand-alone income eligibility criterion to Lifeline and Link-Up that allows participation in the Lifeline and Link-Up programs based solely on income level, without requiring participation in other low-income programs.
- 2) Adopt policies favoring automatic enrollment for those low-income consumers who are enrolled in other programs and favoring self-certification for those consumers who cannot be auto-enrolled.
- 3) Adopt policies ensuring adequate outreach for the Lifeline and Link-Up programs.
- 4) Adopt policies to encourage the use of Consumer Advisory Boards in the Lifeline and Link-Up programs.
- 5) Adopt policies to encourage the use of payment arrangements to return disconnected Lifeline-eligible customers to service.
- 6) Ensure the availability of the federal Lifeline program in states that have state-funded lifeline programs which restrict the availability of lifeline assistance.³

The discussions below show these recommended policy changes to be necessary, beneficial, reasonable and lawful. These comments cover most of the issue areas raised by the Joint Board’s Public Notice that appeared at Fed. Reg. Vol. 66, No. 211 at 54967 *et seq.*⁴

I. INTRODUCTION

These comments, although filed on behalf of NASUCA, rely heavily on the Ohio Consumers’ Counsel’s (“OCC’s”) experience in Ohio. Particularly since 1994, the OCC has dealt with company-specific lifeline plans approved by the Public Utilities Commission of

³ In these comments, “Lifeline” (capitalized) is used to refer to the federal program, while “lifeline” (not capitalized) is used to refer to state programs and telephone assistance programs generically.

⁴ NASUCA reserves the right to respond to any issue raised in other parties’ initial comments.

Ohio (“PUCO”) arising from alternative regulation, collaborative studies arising from mergers of “phonelessness,” and other company-specific actions.⁵ In the course of these activities, most of the issues raised in the Public Notice have been raised -- and some have been resolved.

Current penetration for telephone service in the country as a whole is 94.6%.⁶ Among households with incomes below \$5,000, however, only 79% have a telephone.⁷ Even with a an income of \$7,500 to \$9,999, only 87.5% of households have a telephone. *Id.* By no means does this meet the statutory universal service goal.⁸

Parties often lose sight of the facts that telephone service is not yet universal; that price is a significant barrier to subscribership for low-income households; and that lifeline can be an effective device for extending that access. Statistics provided by Cincinnati Bell

⁵ *In the Matter of the Application of the Ohio Bell Telephone Company for Approval of an Alternative Form of Regulation*, PUCO Case No. 93-487-TP-ALT (“*Ameritech Ohio Alt. Reg.*”), Opinion and Order (November 23, 1994) at 26; *In the Matter of the Application of Cincinnati Bell Telephone Company for Approval of a Retail Pricing Plan Which May Result in Future Rate Increases and for a New Alternative Regulation Plan*, PUCO Case No. 96-899-TP-ALT, Opinion and Order (April 9, 1998) at 32-33; *In the Matter of the Joint Application of SBC Communications Inc., SBC Delaware Inc., Ameritech Corporation, and Ameritech Ohio for Consent and Approval of a Change of Control*, PUCO Case No. 98-1082-TP-AMT (“*SBC/Ameritech Ohio*”), Opinion and Order (April 8, 1999) at 15; *In the Matter of the Joint Application of Bell Atlantic Corporation and GTE Corporation for Consent and Approval of a Change in Control*, PUCO Case No. 98-1398-TP-AMT (“*Bell Atlantic/GTE*”), Opinion and Order (February 10, 2000) at 33-35; *In the Matter of the Application of United Telephone Company of Ohio, d/b/a Sprint, for authority to file and make effective revised tariff sheets to its General Exchange Service Tariff P.U.C.O. No. 5.*, PUCO Case No. 00-78-TP-ATA; Finding and Order (January 14, 2000); *In the Matter of the Application of ALLTEL Ohio, Inc. for Authority to revise its General Exchange Tariff, P.U.C.O. No. 1*, PUCO Case No. 99-1303-TP-ATA, Finding and Order (October 15, 1999); *In the Matter of the Application of Western Reserve Telephone Company, Inc. for Authority to revise its General Exchange Tariff, P.U.C.O. No. 8*, PUCO Case No. 99-1304-TP-ATA, Finding and Order (October 15, 1999).

⁶ *Telephone Subscribership in the United States* (November 2001), Table 1.

⁷ *Id.*, Table 4.

⁸ It is instructive that in the highest income bracket (\$75,000+), penetration is 98.5%. Thus only 1.5% of those in that income bracket choose to live without a wireline telephone. Some portion of the 1.5% presumably rely only on wireless telephony for their telecommunications needs. For the universal service goal to be definitively met, the number of low income consumers without telephones should not significantly exceed the number of affluent customers who choose not to have a telephone.

Telephone (CBT) to its advisory board (see discussion below) demonstrate this point very graphically: In calendar year 2000, out of the 30,604 consumers in four Ohio counties who signed up for the CBT lifeline program, 10,086 did not have telephone service at the time they enrolled. The lifeline program was the direct reason these phoneless consumers joined the network.

Universal service is a specific principle of federal law, pursuant to the Telecommunications Act of 1996.⁹ The Commission recognized the principle earlier, as a key component of the Communications Act of 1934.¹⁰ The universal service principle -- not just for low income persons but for customers in high-cost areas as well -- has its foundations in equity, but also in economics: For each user of the network, there is more value to a larger rather than a smaller network; put otherwise, adding users to the network adds to the overall value of the network.

In these comments, the Consumer Advocates propose various means to improve the Lifeline and Link-Up programs in order to better carry out the statutory mission. The key concepts include income-based eligibility, automatic enrollment/self-certification, outreach, Consumer Advisory Boards and payment arrangements.

II. THE EFFECTIVENESS OF CURRENT LIFELINE/LINK-UP PROGRAMS

A. The level of actual participation in current Lifeline and Link-Up programs

In the year 2000, an estimated 6.2 million low-income customers nationwide paid reduced local rates under the Lifeline program. *Universal Service Monitoring Report*

⁹ *In the Matter of Federal-State Joint Board on Universal Service*; CC Docket No. 96-45, Report and Order (rel. May 8, 1997) (“*Universal Service Order*”) at ¶ 329.

¹⁰ *Id.*; 47 U.S.C. §§ 1, 4(i), 201, 205.

(October 2001) at 2-2. This is an increase of over 650,000 since 1996. *Id.*, Table 2.5. Yet in 2000 there were 20 million households with annual incomes at or below \$9,999, and an additional 23.5 million households with incomes of \$10,000 to \$19,999. *Telephone Penetration by State* (July 2001), Table 6. Thus out of 43.5 million households that are likely in the low-income ballpark, only one in seven receives Lifeline benefits. This suggests that much more can be done to increase Lifeline subscription.

According to the Commission's Alexander Belinfante, the specific changes to lifeline that were adopted in the Commission's *Universal Service Order* have resulted in a statistically significant increase in telephone penetration among low-income consumers.¹¹ Further, "the sizes of the increases are related to the amount of assistance provided." *Id.* It appears, then, that increasing the support amount would be the most direct means of increasing penetration.

Increasing the per-capita level of support would draw in new subscribers and would add to the discounts available to current customers. On the other hand, it is also possible to do more with the current level of support. These comments focus on ways to improve customers' access to the current per-customer levels of support.

The focus here is on structural change. It should be recalled that it was in the *Universal Service Order* (at ¶ 348) that the Commission for the first time directed all states to offer a lifeline program. Before then, only 44 jurisdictions, including the District of Columbia and the U.S. Virgin Islands, offered lifeline. *Id.* The increase in the number of jurisdictions offering the program should in itself have had a significant impact on participation and penetration.

¹¹ *Telephone Penetration by Income by State* (July 2001) at 4.

B. Exclusion due to program restrictions, inefficient enrollment mechanisms and inadequate information are impediments to participation.¹²

In many state Lifeline programs, eligibility is restricted to customers who already receive one of several enumerated public benefits.¹³ Indeed, this is the current default federal standard. *Universal Service Order* at ¶ 374. These programs have served as proxies for identifying low-income households.

NASUCA also notes that the lists of qualifying programs vary widely among the states that use such lists. For example, BellSouth customers in Florida qualify for Lifeline if they participate in any of six federal benefits programs.¹⁴ In neighboring Alabama, only those BellSouth customers who are enrolled in Medicaid are eligible for Lifeline.

The use of participation in other low-income programs as the sole criterion for eligibility in Lifeline is a substantial impediment to participation. Lifeline is intended to serve needy families that have difficulty affording basic phone service. Basing lifeline eligibility on participation in the specified means-tested programs (the proxies) excludes perhaps millions of families that, though needy, do not receive government assistance.

Further, another impediment to participation in lifeline programs is consumers' lack of knowledge about the programs. As shown by the Ohio experience, a combination of automatic enrollment, outreach and self-certification is effective in increasing participation.

¹² For reasons discussed below, given the current lifeline eligibility requirements, “exclusion by choice” (as mentioned in the Public Notice) currently may most often result from the choice not to participate in other low-income programs.

¹³ For example, all but one Ohio lifeline program (discussed below) restricts enrollment to customers who are also enrolled in other low-income programs.

¹⁴ The programs are Temporary Assistance for Needy Families (“TANF”), Food Stamps, Low Income Home Energy Assistance Programs (“LIHEAP”), Federal Public Housing Assistance/Section 8, Supplemental Security Income (“SSI”) and Medicaid.

Another impediment to participation in lifeline plans is the terms imposed by local telephone companies on customers who are seeking to have their service reconnected after a disconnection for non-payment. As discussed below, experience from Ohio shows that standardized payment arrangements commensurate with the resources of low income families will get many more families back on the network.

C. Welfare reform has reduced the number of households eligible for low-income programs.

Welfare reform has limited eligibility for the low-income programs that allow customers to receive lifeline. For example, cash welfare and food stamp caseloads have declined much faster in recent years than has poverty. Between 1996 and 2001, the number of families receiving cash welfare fell 52 percent.¹⁵ The number of households receiving food stamps has fallen 34 percent.¹⁶ By contrast, the number of poor families with children fell from 6.4 million in 1994 to 4.7 million in 1999, a decline of roughly one quarter.¹⁷ The lesson is clear: Although some households have left the rosters of other assistance programs, they are still poor but do not now qualify for Lifeline and Link-Up under the federal eligibility criteria and under some state eligibility standards.

The trends in low-income assistance program participation are explained in part by the fact that many families leave welfare for low wage jobs that keep them in poverty. A

¹⁵ General Accounting Office, “Welfare Reform: More Coordinated Federal Effort Could Help States and Localities Move TANF Recipients with Impairments Toward Employment” (October 2001) at 1-2. This is a continuing trend: Between 1994 and 1999, the number of families receiving cash assistance fell by roughly 50 percent. “Temporary Assistance for Needy Families (TANF) Program: Third Annual Report to Congress” August 2000 (<http://www.acf.dhhs.gov/programs/opre/annual3excsun.htm>).

¹⁶ Food and Nutrition Service, US Dept of Agriculture, as tabulated by Center on Budget and Policy Priorities.

¹⁷ U.S. Census Bureau, Historical Poverty Tables, Table 4. Poverty Status of Families, by type of family, presence of related children, race, and Hispanic origin: 1959 to 1999. (<http://www.census.gov/hhes/poverty/histpov/hstpov4.html>).

2001 Urban Institute study found that the typical wage of parents leaving welfare for work was \$7.15 an hour.¹⁸ At that wage level, many families with a working parent would remain poor. A parent working 40 hours a week –most low-paying jobs are less than full time¹⁹ – would earn \$14,780 a year. Yet as discussed below, the 2001 federal “poverty level” for a family of three is \$14,630.

Working poor families often do not participate in means-tested programs. For example, working poor families typically do not receive welfare cash assistance, and only about one-third of working poor families participate in the food stamp program. The Urban Institute offers two primary reasons for their non-participation:

(1) Many low-income families are not eligible for assistance. Eligibility for cash welfare ends when earnings reach just 70 percent of the poverty line. Ownership of a modestly priced car can make a family ineligible for assistance for some programs, even if the car is needed to get to and from work. The 1996 federal welfare law also made many legal immigrants ineligible for assistance from several programs.²⁰

(2) Many working poor families often do not participate in means-tested programs, even if they are eligible. Reasons for non-participation include lack of information (many believe that working families or two-parent families are not eligible for assistance), the stigma associated with receipt of public assistance, and administrative barriers such as lengthy applications and frequent re-certification meetings. Concerns about becoming a “public charge” keep many legal immigrants from seeking benefits from programs they still qualify for.²¹

¹⁸ Pamela Loprest, “How are Families That Left Welfare Doing? A Comparison of Early and Recent Welfare Leavers,” Urban Institute, Number B-36 in series, “New Federalism: National Survey of America’s Families,” page 3. See http://www.newfederalism.urban.org/html/series_b/b36/b36.html.

¹⁹ *Id.*

²⁰ “Trends in Non-Citizen and Citizen Use of Public Benefits Following Welfare Reform: 1994-1997,” The Urban Institute: Washington D.C. (March 1999).

²¹ *Id.*

Millions of families can be considered “working poor,” which means they are low-income even though one or more adults work. According to tabulations of Census Bureau data by the Center on Budget and Policy Priorities, four million American families with children had a working parent but still had income below the federal poverty threshold in 1997. Overall, more than two-thirds of poor families with children had a working parent. Some 1.4 million of these families had a parent who worked year-round and full-time. If families without children or families with incomes modestly above the poverty line were included, the number of working poor would be even higher.²² There is no reason to presume substantial improvement in these statistics in more recent years.

Under the “program eligibility” standard, a low-income family that has moved away from public assistance would no longer be eligible for Lifeline. Yet a low-income working family needs a telephone just as much as a family receiving other low-income assistance – indeed, the need may be even greater. The need to contact one’s employer and the need to arrange for child care will increase the need for telephone service.

The data also indicate that fewer poor children are receiving cash assistance or food stamps today than in the recent past. In 1994, roughly 88 percent of poor children received food stamps. By 1998, that figure had fallen to 72 percent. Between 1994 and 1998, the proportion of poor children receiving cash assistance fell from 58 percent to 42 percent.²³

Changes in state welfare programs leave many needy families without assistance even if they do not have a job. The Center on Budget and Policy Priorities estimates that at least

²² “Poverty Despite Work Handbook,” Center on Budget and Policy Priorities, 1999 Edition at 14.

²³ “Recent Changes in the Impact of the Safety Net on Child Poverty,” Center on Budget and Policy Priorities (December 1999).

16,000 American families lose cash assistance each due to sanctions for non-compliance with welfare program rules or due to time limits.²⁴

As long as eligibility for Lifeline is program-based, rather than income-based, decreasing participation in those programs will shrink the lifeline pool. This does nothing to further the universal service purposes of the Act, and there can be no real debate about the need for assistance of these low-income consumers.

D. Innovative ways in which states are implementing lifeline programs

The Public Notice requests comment on innovative ways in which states are implementing their respective lifeline and Link-Up programs. Several states have taken steps to expand eligibility criteria, reach eligible people through education and outreach efforts and oversee the lifeline programs through consumer advisory boards. These are discussed below.

In Ohio two large incumbent providers -- Ameritech Ohio and Verizon -- have conducted in-depth research on how to decrease the phoneless population. A nationally known research firm, Wirthlin Worldwide, conducted both studies.²⁵

For the Ameritech Ohio study, qualitative and quantitative research was conducted to identify 1) reasons why people did not have local phone service; 2) awareness levels, perceptions and potential influences of Ameritech's special payment programs; and 3) any influences or programs which would increase the likelihood of signing up for local phone

²⁴ "A Compliance-Oriented Approach to Sanctions in State and County TANF Programs," Center on Budget and Policy Priorities (October 2000) at 5.

²⁵ The results of the Ameritech Ohio study were filed in the public record with the PUCO. *SBC/Ameritech Ohio*, Report filed May 7, 2001. The Report included both a Qualitative Study Final Report ("Qualitative Final Report") and a Quantitative Study Final Report ("Quantitative Final Report"). The Verizon study was conducted as an outgrowth of the stipulation in *Bell Atlantic/GTE*. Verizon asserts that the Verizon Wirthlin study results are confidential. Thus the specific Verizon results cannot be described here. Suffice it to say that the Verizon results are, in fact, consistent with those reached in the Ameritech Ohio study.

service.²⁶ As described in the next section of these comments, this study clearly indicates that income-based eligibility is a key means to getting people on the network.

III. INCOME-BASED ELIGIBILITY

A. Introduction to income-based eligibility.

The Act requires federal support for low-income consumers, not just “low income customers who participate in other government programs.” See 47 U.S.C. § 254(b)(3). Clearly, the need for financial assistance with telecommunications service is not necessarily tied to the need for or participation in other low-income programs. The Commission should extend eligibility for Lifeline to consumers who meet specific income criteria, not just consumers who participate in other low-income assistance programs.

B. The current rules

The current federal Lifeline rules set the default eligibility standard in states that do not provide state lifeline support as: participation in Medicaid, food stamps, Supplementary Security Income (SSI), federal public housing assistance, or the Low Income Home Energy Assistance Program (LIHEAP).²⁷ The Commission concluded that basing Lifeline eligibility on participation in any of these low-income assistance programs would achieve the goal of wide Lifeline participation by low-income consumers, because the criteria for several of these programs vary.²⁸ The Commission clarified that this requirement to base eligibility on income or factors directly related to income was a suggestion to the states.²⁹ Thus under the

²⁶ Quantitative Final Report at 3.

²⁷ 47 C.F.R. § 54.400(a); Universal Service Order at ¶ 374.

²⁸ *Id.*

²⁹ Universal Service Order at ¶ 375; 47 C.F.R. § 54,409(a).

current rule, states may choose their eligibility criteria as long as those criteria measure income or factors directly related to income. *Id.*

C. Income-based eligibility is used in the states.

NASUCA urges the Commission to adopt income-based eligibility as another default criterion for the federal program. “Income-based eligibility” would allow a subscriber to participate in Lifeline and Link-Up if the subscriber’s income met the standard, whether or not the subscriber participated in any other low-income assistance.

Eligibility based on income is already in place in Ohio. Cincinnati Bell Telephone (“CBT”) currently uses an income-based criterion as part of its lifeline program. See CBT Tariff PUCO No. 8, Section 17, 1st Revised Page 13.³⁰ In order for a consumer to qualify, CBT requires a document signed by the customer that the customer is receiving benefits from one or more qualifying programs *or* that they meet the income criterion.

Further, several SBC companies’ lifeline programs have an income-based eligibility component. Ameritech Michigan uses income-based eligibility in its lifeline program.³¹ Pacific Bell (in California and Nevada) uses income-based eligibility in its lifeline program.³² Texas recently revised its rules to set Lifeline eligibility at 125% of the federal poverty level.³³ Wisconsin also uses income to determine eligibility.³⁴

³⁰ See www.puc.state.oh.us/docket/tariffs/Tcom/CBT/tarif_list.html.

³¹ Michigan Public Service Commission Consumer Alert, Lifeline Telephone Assistance Program, Alert 01-3 dated March 23, 2001.

³² See California Public Utilities Commission Universal Lifeline Telephone Service web site at <http://www.cpuc.ca.gov/static/industry/telco/consumer+information/public+programs/ults.htm> (accessed August 8, 2001); Nevada Utility Regulations, NAC 704.680474 “Criteria for eligibility as qualifying low-income subscriber; documentation to provider.”

³³ Public Utility Commission of Texas, Substantive Rules Applicable to Telecommunications Providers, Subchapter P, §26.412, Lifeline and Link Up Service Programs.

In addition to these SBC states, other states, including Minnesota and Tennessee, use income to determine eligibility.³⁵ NASUCA trusts that this is not an exhaustive list.

D. No current eligibility criteria should be deleted.

The Joint Board asks whether any of the current eligibility criteria should be eliminated. To begin with, NASUCA would note that making any current lifeline customer ineligible would *not* meet the goals of the Act.³⁶ For that reason, NASUCA submits that an income-based eligibility standard should supplement the current standards as an additional criterion, not substitute for the existing criteria.

It might be argued that an income-based eligibility criterion could replace the current program eligibility criteria.³⁷ Yet the fact of participation in these other established programs eases the administration of the Lifeline program by allowing automatic enrollment and easing self-certification (as discussed below).

E. Income-based eligibility will result in more participants.

In the *Universal Service Order* (at ¶ 374), the Commission based eligibility for Lifeline on participation in any of a number of programs rather than a single program

³⁴ Wisconsin Administrative Code, Universal Service Support Funding and Programs, Chapter PSC 160, §PSC 160.02(8)(h).

³⁵ Minnesota Public Utilities Commission, Telephone Service Connection Assistance fact sheet; Tennessee Regulatory Authority Lifeline and Link-Up Assistance Programs fact sheet dated March 28, 2000.

³⁶ Equally, the Joint Board should guard against the possibility that a customer receiving Lifeline benefits should be required to accept a lesser quality or type of service. For example, under an Ohio statute that sunsetted in 1999, the state “Telephone Assistance Program” (“TAP”) required customers to subscribe to message or measured service (if offered by their local telephone company) rather than the flat rate service overwhelmingly preferred by residential telephone customers. Current lifeline subscription in Ohio is far above what it was in the TAP era. In Pennsylvania, Bell Atlantic (now Verizon Pennsylvania) quadrupled the size of its lifeline program after opening the service to flat rate subscribers.

³⁷ The Public Notice asks whether eligibility for low income programs should be based on eligibility for other low-income programs rather than participation in those programs. A stand-alone income-based criterion is an effective surrogate for most programs’ eligibility standards.

because “basing Lifeline eligibility on participation in one of these programs will reach more low-income consumers than basing Lifeline eligibility solely on one of the programs.” Adding an income-based component will reach more low-income consumers than basing Lifeline eligibility solely on program eligibility.

The Wirthlin research discussed above identified income-based eligibility as a valuable method for decreasing the number of non-telephone households in Ameritech Ohio’s service territory. Quantitative Study at 79.

The importance of income-based eligibility is supported by the research results. *Id.*; Qualitative Study at 11.³⁸ The results of the studies conducted by Wirthlin provide definite evidence that an income-based criterion is needed. Seventy percent of the survey respondents were either extremely interested or very interested in signing up for an Ameritech Ohio lifeline plan if they were eligible based on low income.³⁹

Three out of four (76%) consumers surveyed by Wirthlin were willing to show proof of total annual income in order to verify their low-income status. Quantitative Final Report at 105.

The working poor made up the majority of those surveyed who were currently without a telephone.⁴⁰ During the focus group sessions it became obvious that the majority of the participants were the working poor. Notably, it was the focus group participants themselves that raised the issue of basing eligibility on income. Statements such as “For

³⁸ The specific language in this report reads: “Non-eligible Younger Urbanites expressed desire for income-related qualifier. When income-related option offered, 7 of 9 in both Urban groups said they would be very interested in having this plan.”

³⁹ See Quantitative Final Report at page 103. As discussed below, Ameritech Ohio offers customers a choice of two lifeline plans.

⁴⁰ Of the remaining 40%, 35% were unemployed and 5% were retired. *Id.*

people making \$7-10 an hour a phone is a luxury” and “The lifeline program should be designed for people with minimum wage jobs” were common. Almost all of the focus group participants reported that they would sign up for the Ameritech Ohio program if eligibility were based on income. An income-based eligibility criterion will help to make basic telephone service affordable for the working poor.

The quantitative study results also support the fact that the working poor are being harmed by the lack of an income eligibility criterion. Of the 343 people interviewed, 60% were employed but did not have telephone service. See Quantitative Final Report at 114. Also of note is that of this latter group, 41% were employed full-time. *Id.*

The study results clearly indicate that even though a consumer may have a full-time job, the consumer may not have enough money to obtain telephone service. Federal Lifeline policy is ideally suited to address this situation. Providing Lifeline service to the working poor will likely reduce the number of non-telephone households more than any other proposal. Every effort should be made to reach out to this population.

F. The Commission should adopt household income at or below 150% of the federal poverty guideline as an eligibility criterion for Lifeline and Link-Up.

The most commonly-used standard for assessing income levels is the federal poverty guideline. The guidelines are updated each year. The 2001 poverty guidelines by family size are as follows:

<u>Persons</u>	<u>Poverty Level</u>	<u>150% of Poverty Level</u>
1	\$8,590	\$12,885
2	\$11,610	\$17,415
3	\$14,630	\$21,945
4	\$17,650	\$26,475
5	\$20,670	\$31,005
5+	\$20,670 plus \$3,020 per person	\$31,005 plus \$4,530 per person ⁴¹

Although the federal poverty guideline has some advantages, there are also indications that the guidelines are far below what a family needs to meet basic needs -- and thus that the selection of a Lifeline eligibility level should include needy families with incomes above the poverty guideline.

The poverty guideline is based in large part on a poverty threshold established in the 1960s that is now considered outdated.⁴² At that time, an analyst with the Social Security Administration established a poverty line by multiplying a minimal food budget by three, based on evidence that low-income families spend a third of their income on food. Since then, this crude measure of poverty has been adjusted only for inflation. But spending patterns have changed greatly since then. Low-income families now spend about one-fifth of their income on food -- while the poverty line still equals just three times a minimal food budget. Other expenditures that were almost non-existent in the 1960s -- such as childcare -- now consume a large share of the budgets of many low-income families.⁴³

Families have trouble making ends meet even with above-poverty incomes. The Urban Institute released new findings in October 2000 from its National Survey of America's

⁴¹ 66 Fed. Reg. 10695 (February 16, 2001).

⁴² "Measuring Poverty: A New Approach," National Research Council, 1995 at XV.

Families. They found that nearly half of families with incomes below 200% of the poverty line had food insecurity -- meaning they either worried about running out of money to buy food or actually experienced a time when they could not afford to buy enough food. More than one in five reported being unable to pay rent or a mortgage or utility bill in the previous year.⁴⁴

Congress accorded the Commission substantial discretion in adopting appropriate eligibility for Lifeline participation. See 47 U.S.C. § 254(j). Congress could have defined “low income” as “at or below the federal poverty level” or otherwise shown an intention that universal service assistance should go only to those consumers defined as in poverty. Congress did not do so.

Indeed, there is increasing indication that the current federal poverty guidelines may understate the extent to which a family may need assistance in order to enjoy a safe and healthful life. See “U.S. ponders changing definition of ‘poor’,” St. Petersburg Times (November 24, 2001) at 5A. This is a further argument for using at least 150% of the current federal poverty level as the eligibility criterion for Lifeline.

As have numerous other programs, Lifeline should define families as being needy and eligible for assistance at some level above the poverty line. Many federal and state programs for needy families extend eligibility above 100 percent of poverty.⁴⁵ For example, families are eligible for free school lunches if their income is below 130 percent of poverty (this is

⁴³ “Proposed Changes in the Official Measure of Poverty,” Center on Budget and Policy Priorities (November 1999).

⁴⁴ “1999 Snapshots of America’s Families II: family Economic Well-Being,” Urban Institute, 2000. (<http://newfederalism.urban.org/nsaf/family-wellbeing.html>).

⁴⁵ See “Measuring Poverty: A New Approach,” National Research Council, 1995 at XV.

also the eligibility level for food stamps), and reduced-price meals are available to families with incomes up to 185 percent of the poverty line.⁴⁶ Most states extend health insurance to children in families with incomes up to 200 percent of poverty, and subsidized childcare eligibility is above the poverty line in every state. See, e.g., Ohio Admin. Code § 5101:1-40-08.

The eligibility for the Low Income Home Energy Assistance Program (“LIHEAP”) and related energy assistance programs has long been set at 150% of the federal poverty level. 42 U.S.C. § 8624(b)(2)(B). These federal policies reflect a recognition that families continue to be needy even when incomes exceed the official poverty line.

In addition, telephone lifeline programs display economic externalities that are not necessarily present in the energy assistance arena. All participants in the public switched telephone network benefit when higher, rather than lower, levels of telephone penetration are seen.

IV. APPLICATION, ENROLLMENT AND VERIFICATION

A. Application

Under the current application process for the federal Lifeline and Link-Up program, consumers must certify by signature on an application document, under penalty of perjury, that they receive benefits from a qualifying program.⁴⁷ This method could be an effective process if consumers had perfect knowledge of the availability of the Lifeline and Link-Up programs and if each consumer proactively requested an application, filled it out, and

⁴⁶ *Id.*

returned it to the local telephone company. In practice, consumers have far from perfect knowledge of the availability of these programs. The result is that many eligible consumers do not even know that they must request an application for enrollment.⁴⁸ Thus, the current process is not the most efficient or most effective way to increase participation in Lifeline and Link-Up programs.

Outreach (providing information to consumers) is a key to increasing participation, and is discussed below. Yet based on the experience with three Ohio local telephone companies, automatic enrollment and self-certification have proved to be extremely effective and efficient processes for increasing lifeline participation. Whereas automatic enrollment is effective for increasing participation among consumers who already receive benefits from qualifying programs, self-certification is effective for increasing participation among consumers who do not receive benefits from qualifying programs.

1. Enrollment of consumers participating in qualifying programs.

a. Automatic Enrollment

Automatic enrollment is a process whereby the local telephone company receives information (by data transfer) from the administrators of low income assistance programs. Using that data, the local carrier can match its subscribers with those receiving benefits from qualifying programs. Some states -- Ohio, New York and Massachusetts among them -- have found automatic enrollment to be an extremely effective and efficient way to increase enrollment in their lifeline programs. In fact, in Ohio, Cincinnati Bell Telephone's (CBT)

⁴⁷ See 47 C.F.R. § 54.409(b), (c). As is discussed elsewhere in these comments, NASUCA recommends that consumers also qualify for Lifeline and Link-Up on the basis of income even if they do not participate in any of the formal qualifying programs.

⁴⁸ Quantitative Final Report at 90 and 100.

lifeline enrollment doubled and Verizon's more than tripled as a result of implementing automatic enrollment.⁴⁹ Before automatic enrollment, CBT had 2800 customers on its lifeline program in June 1999. After implementation of automatic enrollment, in September 1999 CBT had 5600 customers on lifeline. In January 2001, Verizon in Ohio adopted automatic enrollment for the lifeline program. Before automatic enrollment, 10,740 customers were on lifeline; with automatic enrollment, 39,065 customers were on the program. *Id.* In addition, automatic enrollment has worked well for Ameritech Ohio, which was the first Ohio local telephone company to implement the process, despite initial difficulty in obtaining the cooperation of the state agencies administering the qualifying programs. Automatic enrollment clearly adds to the reach of lifeline assistance.

Automatic enrollment has proved to be an effective means for increasing participation in lifeline programs and should be a requirement for companies receiving federal funding for Lifeline and Link-Up programs. It is likely that human services departments in every state maintain computerized information regarding consumers receiving benefits such as food stamps, SSI, etc.⁵⁰ This information can be shared with local telephone companies so that a matching of consumers residing in the local companies' service territories who participate in the other assistance programs can be achieved.

In Ohio, for current subscribers, once a match is made with the local telephone company, the subscriber is sent a letter stating they are eligible for lifeline service. The letter

⁴⁹ CBT 1999 Lifeline Monthly Statistics; Verizon Report filed in *Bell Atlantic/GTE* (September 4, 2001).

⁵⁰ Where states do not maintain assistance information in this form, the state should request and receive a waiver.

provides the consumer with the option to decline the service. If not declined, the customer is automatically enrolled in lifeline and will receive the appropriate discount.⁵¹

Due to the fact that automatic enrollment requires cooperation between local telephone companies and state low-income assistance agencies, NASUCA suggests that state utility commissions, as fellow state agencies, serve as a facilitator of this relationship. In Ohio, Ameritech Ohio's initial attempts to negotiate with the Human Services Department proved difficult due to the confidential nature of the information the Human Services Department maintains.⁵² It was necessary for officials of the Public Utilities Commission of Ohio to become involved in the negotiations. However, once it was made clear to the Human Services Department that Ameritech would use the information solely to match names and addresses for purposes of enrolling consumers in the lifeline program, the department was willing to cooperate in the process of matching Ameritech Ohio subscribers with persons receiving benefits.

The three Ohio companies that have implemented automatic enrollment have done so in cooperation with Ohio's Human Services Department. The majority of consumers found eligible and enrolled in lifeline through automatic enrollment are those receiving benefits administered by the Human Services Department. These companies have also attempted to negotiate similar agreements with administrators of other public benefits programs, including public housing and LIHEAP. There has been less success with these other programs.

⁵¹ As discussed below, when a consumer receiving benefits is not a customer of the local company, the consumer can be sent a letter with information about how to obtain Link-Up and Lifeline benefits.

⁵² NASUCA recognizes that maintaining client and customer confidentiality is crucial for state agencies that administer assistance programs. The experience thus far is that confidentiality can be maintained even while effective use of the information for the lifeline programs occurs.

Discussions continue and it is anticipated that automatic enrollment will eventually include these programs.

Local companies also need the flexibility to use enrollment devices in addition to automatic enrollment to account for the possible difficulty in negotiating with state agencies other than human services. Such other enrollment devices should include self-certification, which is discussed in more detail below.

NASUCA recommends that the Commission's rules specify the preference for automatic enrollment when possible, e.g., with human services departments in each state. In addition, a local company that does not want to use automatic enrollment would have to seek a waiver.⁵³ This will ensure that automatic enrollment is used to the best advantage of consumers and not allow the local companies to determine the appropriateness of using automatic enrollment.

b. On-line Verification

On-line verification allows the local company to interface electronically with the low-income assistance agency in determining eligibility. When a consumer calls to discuss lifeline, the local company can "call up" the human services department, for example, and through the interface, determine that the caller is qualified for lifeline because he/she has been or is a recipient of benefits from one of the qualifying programs. Ameritech Michigan and Ameritech Wisconsin use on-line verification in their lifeline programs.

On-line verification should supplement automatic enrollment for purposes of enrolling consumers who are not currently subscribers of the local telephone company.

⁵³ For example, a small local company serving less than 15,000 lines could receive a waiver if the cost of implementing automatic enrollment was determined to outweigh the benefit. Where a waiver is granted, specific conditions on self-certification and proper marketing of the program should be established.

Whereas automatic enrollment matches a list of current telephone subscribers with those on the rolls of the human services department, on-line verification allows for the immediate verification that consumers receive public benefits, whether or not the consumer is a current subscriber of the local telephone company.

On-line verification can also be an alternative enrollment method if automatic enrollment is not possible for some reason. Yet on-line verification requires that the customer know that the lifeline program exists. As can be seen from the two phoneless studies performed in Ohio, many consumers remain unaware of lifeline programs.

2. Enrollment of consumers whose income is below 150% of the federal poverty level but do not participate in qualifying programs.

While automatic enrollment and on-line verification are excellent methods for increasing lifeline participation among consumers receiving benefits from a qualifying program, they do not reach consumers who are eligible for such programs but, for whatever reason, do not participate in the programs. In addition, as discussed above, there are many consumers who are low income, e.g., below 150% of the poverty level, but do not qualify for the programs identified by the FCC as qualifying programs. There is no reason why such low-income consumers should be denied the benefits of Lifeline discounts.

Obviously, automatic enrollment is not feasible for these customers. Therefore, it will be necessary for them affirmatively to apply for the lifeline discounts by submitting an application to the local telephone company. This means that an effective communication and outreach plan is essential in order to inform such consumers that lifeline benefits are available.⁵⁴

⁵⁴ For an in-depth discussion of effective means of communicating with consumers about the availability of lifeline, see Section VII of these comments.

In order to promote an effective and efficient Lifeline program that increases participation, the FCC's rules should require companies to adopt self-certification as a method of enrolling consumers who do not appear on the rolls of qualifying programs in Lifeline and Link-Up programs. Again, drawing on the experience in Ohio of the one company that uses self-certification, CBT, the company itself states that it "has found self certification to be a cost effective alternative where automatic enrollment is not feasible."⁵⁵ CBT noted that self-certification is efficient not only from the perspective of the company – which avoids the considerable administrative expense of reviewing and verifying eligibility documents – but also from the perspective of customers who "can be assured of receiving their benefits as soon as possible."⁵⁶ In calendar year 2000, for example, CBT used the self-certification process to enroll 12,000 consumers into lifeline.⁵⁷ For CBT, self-certification means the consumer submits a signed form to the company affirming either that the consumer received benefits from one of the qualifying programs or had household income within the specified limits.

Various public assistance programs allow applicants to self-declare their income, without requiring documentation of each income source. These programs also do not conduct extensive income verification procedures. These programs, which provide billions of dollars of benefits nationwide each year, include:

⁵⁵ *In the Matter of the Commission Ordered Investigation of an Elective Alternative Regulatory Framework for Incumbent Local Exchange Companies*, PUCO Case No. 00-1532-TP-COI, Initial Comments of Cincinnati Bell Telephone Company (April 16, 2001) at 13.

⁵⁶ *Id.* at 14.

⁵⁷ CBT (Michelle Mistler) Memorandum to the Lifeline Consumer Board, "Lifeline December Statistics," January 18, 2001.

- Free and Reduced-Priced School Lunch (eligibility equals 185 percent of poverty)
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC, eligibility equals 185 percent of poverty)
- State Child Health Insurance Program (eligibility varies by state, but as high as 200 percent of poverty)

There is no reason why the same methods would not work for Lifeline.

Although no recent studies have been conducted to assess whether these application processes result in a substantial level of fraud, most prior studies did not find that consumer fraud was a significant problem. Some studies found that applicants under-report their income, but in most cases, these families would have been eligible for aid even if they had fully reported income. This reflects the fact that the families most likely to apply for assistance are the neediest families with incomes far below the eligibility threshold.

B. Verification

Some local telephone companies have expressed concerns about possible fraud if lifeline self-certification is adopted. As discussed above, NASUCA is unaware of any credible evidence that self-certification has any significant customer fraud component.⁵⁸ For example, in Michigan, self-certification is used. According to information obtained in a telephone discussion with a representative of the Michigan Attorney General's office, there have not been any claims by Ameritech Michigan of fraud or abuse.

NASUCA recommends the use of sample verification audits as a protection against any potential fraud. The placement of appropriate fraud warnings on an application form and

⁵⁸ See *In the Matter of the Commission Ordered Investigation of an Elective Alternative Regulatory Framework for Incumbent Local Exchange Companies*, Case No. 00-1532-TP-COI, Ameritech Ohio's Initial Comments (April 16, 2001) at 20.

the use of verification audits are adequate to protect against fraud and represent an appropriate trade-off for the efficiencies and effectiveness of self-certification. For example, safeguards such as verification audits and fraud warnings have been successful in preventing such fraud in CBT's service territory.

The purpose of self-certification is immediate enrollment into a Lifeline/Linkup program so consumers can avoid paying the connection charges and can begin receiving the monthly discount. There are, however, companies in Ohio that require a consumer to complete and return a self-certification form before they can avoid the connection charges. This defeats the purpose of self-certification, and contravenes the Commission intention in establishing Link-Up. For example, based on conversations with representatives from United Telephone of Ohio dba Sprint, Verizon North and CBT, the OCC learned that these companies all require customers to sign up for service first, then complete a self-certification form. In the meantime the customer must pay the connection costs of \$30-50 and all monthly recurring charges. Credits/adjustments for the connection charges and recurring charges are issued after the company receives the form. Thus these companies require substantial up-front payment from customers who should be receiving assistance.

On the other hand, Ameritech Ohio and Chillicothe Telephone also require the form to be completed before establishing service, but the benefits begin immediately, and the customer's up-front payment is reduced. NASUCA suggests that this Commission should bar any local telephone company requirement that a Link-Up-eligible customer pay connection charges before receiving service.

As discussed above, Ameritech Ohio and Verizon have conducted and completed research into the causes and remedies for phonelessness in their Ohio service territory. The

Ameritech Ohio study indicates that 76% of consumers would be willing to show proof of their total annual income to the local telephone company in order for them to verify that they have a low income.⁵⁹ The Verizon study results are consistent with those reached in the Ameritech Ohio study.

NASUCA believes that it would be only fair for consumers to notify their carrier when they are no longer eligible for Lifeline assistance. Such a requirement should allay whatever concerns carriers might have about abuse or fraud of the program.

NASUCA does not believe that generic verification measures should be adopted at the federal level. NASUCA does not object to verification requirements *per se* but whatever verification process is used must be fair and practical. Individual carrier requirements should be developed and implemented with the input of the state regulator, local exchange company, consumer advocates and interested stakeholders. Consumers should be informed during the application process what the verification requirements are for enrolling and maintaining eligibility.

VI. ADDITIONAL MODIFICATIONS TO LIFELINE

A. Consumer Advisory Boards

The federal Lifeline and Link-Up programs could be improved with the adoption of state-level Consumer Advisory Boards similar to those used successfully in Ohio. The PUCO recently stated that “advisory boards serve a useful purpose in promoting and implementing

⁵⁹ Quantitative Final Report at 106.

Lifeline services.”⁶⁰ In fact, the PUCO has required each company that chooses a new form of alternative regulation to develop and implement a lifeline program to be overseen by a consumer advisory committee. *Id.*⁶¹

The Ameritech Ohio, Verizon and Cincinnati Bell Telephone lifeline programs in Ohio saw their enrollments increase due to the efficacy of their respective consumer advisory boards. Currently in Ohio, two of these companies maintain consumer advisory boards, while the third technically operates through a collaborative process. The main role of consumer advisory boards is to monitor: 1) the success of enrollment programs, 2) the effectiveness of lifeline marketing strategies, and 3) the best use of lifeline budgets. Each of the three advisory boards consists of PUCO staff acting in an advisory role, consumer advocates, special interest groups representing low income constituents, and the companies’ lifeline representatives.⁶²

Ameritech Ohio has been particularly successful in measuring and monitoring lifeline enrollment targets. For example, at monthly advisory board meetings, the company presents reports that detail which outreach methods prompt customers to call regarding lifeline, total number of enrollments per month and to date, and the number and reasons for participants dropping off the lifeline program. The board reviews these reports to determine the success of the overall program, where budget allocations would be most effectively spent, and where

⁶⁰ *In the Matter of the Commission Ordered Investigation of an Elective Alternative Regulatory Framework for Incumbent Local Exchange Companies*, PUCO Case No. 00-1532-TP-COI, Opinion and Order (December 6, 2001) at 37.

⁶¹ For the record, the OCC must note that there are many aspects of the PUCO’s decision in the case which the OCC does not support and may challenge.

⁶² The Consumer Advisory Boards (and the parties represented on the boards) have also been instrumental in ensuring that the lifeline programs adhere to the terms ordered by the PUCO. See, e.g., *Ameritech Ohio Alt. Reg.*, PUCO Case No. 93-487-TP-ALT, Opinion and Order (December 30, 1998).

more outreach is needed to promote greater enrollment. The board is the liaison between state agencies and other consumer groups to facilitate the inner workings of the program processes. It has been apparent that without the oversight of the consumer advisory boards, Ohio's lifeline programs would not have enrolled so many customers.

One of the primary functions of a consumer advisory board has been to monitor the effectiveness of the company's lifeline marketing strategies. For example, in the Cincinnati Bell program, the advisory board examines the value of various marketing tools such as newspaper advertisements, consumer outreach groups, pamphlets, flyers, posters, door hangers, radio advertisements, and video presentations and also evaluates the geographical locations in which to distribute them. In addition, the Ameritech Ohio lifeline board uses marketing source reports to view the effectiveness of the above-listed examples.

The lifeline marketing strategies of these companies are significantly dependent on the respective consumer advisory boards making prudent budget decisions. The boards thus contribute to the overall marketing effort.

Each consumer advisory board is charged with finalizing and approving the lifeline budget for each fiscal year. This process provides an opportunity to determine not only where Lifeline money will be spent, but also assists in focusing attention on areas where greater outreach may be needed. For example, the Cincinnati Bell advisory board chooses not to provide money to outreach groups, but rather encourages outreach groups to volunteer their services to promote the lifeline program to their constituents. Cincinnati Bell spends the majority of its lifeline outreach budget on publicity of the program. On the other hand, the Ameritech Ohio advisory board, which currently has a larger budget and uses a "Request For Proposal" system to encourage community interest groups to promote lifeline, provides a

portion of the lifeline budget to those groups who show that they will work outside the normal scope and audience of their agency mission in order to promote the lifeline program and garner additional enrollments.

B. Payment arrangements and disconnection/reconnection policies

It is clear that local companies' credit, connection, disconnection and reconnection policies impact telephone subscribership. Hence these policies impact the Lifeline and Link-up programs.

- Security deposits can be an impediment to subscribership. The Commission requires, in Link-up, that local companies waive security deposit requirements.
- As described above, some Ohio companies' practice of requiring up-front payment for connection charges has undoubtedly discouraged customers from signing up.
- Given the often-greater burden of paying for toll, the ability of local companies to disconnect local service for non-payment of toll clearly impacts subscribership.
- The ability of local carriers to insist on payment of past due toll balances before local service can be reconnected is also an impediment.

In the 1997 *Universal Service Order* (at ¶ 390), the Commission forbade local companies from disconnecting lifeline customers' local service for nonpayment of toll charges. In *Texas Office of Pub. Util. Counsel v. FCC*, 183 F.3d 393, 421-424, however, the 5th Circuit Court of Appeals overturned this aspect of the Commission's ruling.

The 5th Circuit found that the Commission had not adequately explained, in the *Universal Service Order*, why the "no disconnection of local service for nonpayment of toll" policy was justified as a federal directive. 183 F.3d 422; see also *id.* at 424. Today, the Commission should be able to explain why the recommendations here are justified: To the extent that low-income consumers are disconnected from the local network for

nonpayment of toll charges, they cannot be assisted by the Commission's Lifeline and Link-up programs.

The Commission should repeat its earlier position on disconnection policy, but should address the 5th Circuit’s insistence on a clearer articulation of the basis for the policy. The Commission should also direct policies for connection and reconnection of Lifeline-eligible consumers.

The experience gained in Ohio, especially with Ameritech’s lifeline plan, suggests that past due local service bills prevent many customers from subscribing to telephone service. The PUCO found that “the largest enrollment barrier appears to be the payment of arrearages.”⁶³ In addition, the Ameritech phoneless study revealed past-due local telephone bills as an impediment to subscribing to local service.⁶⁴ The same conclusion can be drawn from the Verizon phoneless study results.

As a result, both Ameritech and Verizon offer special payment arrangements for lifeline-eligible customers with past due local service bills.⁶⁵ This allows for easier re-connection of local service for previously disconnected consumers.⁶⁶

For these two Ohio companies, the first step in the payment process is the segregation of a lifeline-eligible customer’s local service charges from the total balance owed. Local service charges include basic service, vertical services, other regulated local services, and various surcharges, fees and taxes associated with local service. Next, customers must make an upfront payment of \$25 in order to be re-connected to the network for local-only service.

⁶³ *Ameritech Ohio Alt. Reg.*, Opinion and Order (December 30, 1998) at 30.

⁶⁴ Quantitative Final Report at 65.

⁶⁵ In Ohio, local service cannot be disconnected for nonpayment of toll bills. Ohio Admin. Code § 4901:1-5-17(A).

⁶⁶ An eligible lifeline customer should include customers who have been permanently disconnected, those who have been temporarily disconnected, and those who have not yet been disconnected but are in arrears and wish to subscribe to lifeline.

The customer is then required to pay the remainder of the outstanding local balance in equal installments over six months. A carrier specific toll block is then placed on the customer's line until the remainder of the entire balance (which may include toll) is paid off.

This type of payment arrangement should be made available to all Lifeline eligible customers. A requirement that local telephone companies offer such payment arrangements will assist in achieving the Commission's goal of increasing subscribership and increasing participation in lifeline programs.

VII. EFFECTIVE OUTREACH IS ESSENTIAL TO THE SUCCESS OF LIFELINE PROGRAMS

The Joint Board requests comment on whether more extensive consumer education and outreach efforts are necessary to increase participation in the Lifeline/Link-Up program. Commenters are asked to address the best practices of outreach, enrollment and eligibility verification; the costs and benefits of outreach; and to identify non-profit agencies that can assist with outreach, qualification and verification. NASUCA appreciates the Joint Board's efforts to encourage the development of innovative consumer education and outreach programs. NASUCA agrees that outreach and education efforts are a vital component of a successful lifeline program. Outreach is a valuable tool for reaching consumers who, though eligible, may not receive the benefits of a lifeline program.

NASUCA believes that the current requirement to publicize the availability of Lifeline and Link-Up services in a manner reasonably designed to reach those likely to qualify for those services has proven to be inadequate. NASUCA recommends that the outreach provision of the federal Lifeline rules be improved by adopting specific objectives

for outreach. For example, Ameritech Ohio's lifeline program has the following objectives for its marketing plan:

- Create awareness of SBC Ameritech's USA plans with public service agencies and other organizations that reach targeted individuals – especially those without phone service.
- Make existing SBC Ameritech customers aware that the USA program offers a payment plan to restore service or avoid disconnection.
- Educate customers on how to subscribe to SBC Ameritech's USA programs.
- Promote the USA program among diverse communities throughout the state, especially in Spanish-speaking communities.

Such objectives can be incorporated into the Commission's rules in order to provide guidance without creating specific mandates. Such objectives provide the degree of flexibility that the FCC desired in the *Twelfth Report and Order*.⁶⁷

Numerous highly effective activities can be implemented and conducted in a cost-effective manner. The Notice lists measures such as mailings, hanging posters in churches and community centers, and newspapers ads. NASUCA believes that the following additional measures should be part of a successful outreach program.

The company-specific lifeline programs in Ohio involve customer education efforts conducted through numerous methods. The Ameritech Ohio outreach is the most comprehensive. The SBC Ameritech Ohio USA marketing budget involves radio advertisement and print publications (primarily applications and Spanish/English flyers). The outreach portion involves various community-based organizations. These include area

⁶⁷ "We recognize that a method that is reasonably designed to reach qualifying low-income subscribers in one location may not be effective in reaching qualifying low-income subscribers in another location." *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45. Twelfth Report and Order, Memorandum Opinion and Order, and Further Notice of Proposed Rulemaking (rel. June 30, 2000) ("*Twelfth Report and Order*").

agency on aging offices, county job and family services offices, community development agencies, community action agencies, and the Salvation Army.

The Ohio lifeline programs use several non-profit agencies in their outreach efforts. Agencies that interact with potentially eligible consumers are the most effective in providing information and education about lifeline programs. Potentially eligible consumers are accustomed to utilizing the services of these agencies and are more likely to accept their assistance in enrolling in a lifeline program. Additionally, these agencies view lifeline programs as another service that benefits their clients and are typically pleased to assist with education and enrollment efforts.

A recent report suggests that direct contact with individual eligible consumers will provide benefits to non-telephone households. In Wisconsin, information on lifeline is sent directly to eligible consumers. See “Closing the Gap: Universal Service for Low-Income Households,” Telecommunications Industries Analysis Project, August 1, 2000 at 19 and 28. In Maine, personalized letters and flyers were sent to every person known to be eligible for lifeline services. Recipients of the letters were determined using databases of various state and local aid agencies that administer the programs that determine eligibility for lifeline services. This effort increased the participation rate for Lifeline services by 14%. *Id.*

CBT currently uses such a contact mechanism. CBT automatically enrolls consumers into either the federal or CBT lifeline plan. Customers who do not match CBT’s records, but appear on the tapes received from the Department of Family and Job Services receive a “no-match card” from an outside vendor. The CBT no-match card highlights the two lifeline plans, the qualifying programs, the amount of the discount and the number that the customer can call to become enrolled in a lifeline program.

VIII. THE COMMISSION SHOULD ADOPT A FLEXIBLE NATIONAL STANDARD.

NASUCA recommends that the Commission adopt automatic enrollment and on-line verification as national policies. NASUCA further recommends that the Commission adopt self-certification as a national policy. NASUCA recommends that the Commission adopt objectives for local companies' Lifeline outreach. And NASUCA recommends that the Commission adopt the use of consumer advisory boards as a national policy.⁶⁸ NASUCA also recommends that the Commission revisit its decision to bar disconnection of lifeline customers' local service for nonpayment of toll, and establish policies on payment arrangements for lifeline-eligible customers to rejoin the network.

NASUCA recognizes, however, that there may be practical problems in the various states in developing and implementing these policies. The Commission should give the states that have not already made these policies a part of their programs a reasonable amount of time to implement the policies. The Commission should also entertain reasonable requests for waiver of the policies.⁶⁹

⁶⁸ The specifics on the consumer advisory boards should be left to the states, with the presumption being that all lifeline customers in the state would be served by a board. Thus a state could adopt, as examples, a statewide board, a board for each large LEC and a combined board for all small LECs, or a board for each LEC.

⁶⁹ For example, if a state human services agency is unwilling to share data on the programs that it administers, the state commission could obtain a waiver of automatic enrollment for those programs. On the other hand, it should be difficult to obtain a waiver of the self-certification requirement, given NASUCA's proposal on income-based eligibility below.

IX. THE COMMISSION SHOULD MAKE INCOME-BASED ELIGIBILITY A PART OF EVERY LIFELINE PROGRAM THAT RECEIVES FEDERAL LOW-INCOME SUPPORT FUNDING.

As discussed herein, establishing an income-based eligibility criterion appears to be one of the most effective ways of enhancing or improving the Lifeline program and increasing the number of subscribers to the telephone network, and thereby meeting the universal service goal of the Act. The Commission's directives on income-based eligibility for the federally-funded program should be forceful and complete.

The current rule provides one set of rules for states that provide state lifeline support, and another for states that do not provide such support. See 47 C.F.R. § 54.409(a) and (b).⁷⁰ In the former, the customer must meet the criteria established by the state commission. Those criteria must be "narrowly targeted qualification criteria that are based solely on income or factors directly related to income." In the latter, the customer must participate in one of the specified programs.

The Commission should revise the criterion for states that do not provide state lifeline support. That criterion should allow consumers with incomes at or below 150% of the federal poverty level to qualify for lifeline. Consumers who participate in the programs in the current rule should also be eligible.⁷¹

States that do provide state lifeline support should include income-based eligibility as a feature of those programs. Lest this be thought to infringe on states' rights, it should be

⁷⁰ The "state lifeline support" may be support provided by the state, or through a state universal service fund, or by the local exchange carrier itself. In Ohio, for example, all of the "state lifeline support" is actually provided by the local exchange carriers that sponsor the lifeline programs.

⁷¹ The current rule requires the customer to sign a document affirming that the customer participates in one of the designated programs. The affirmation should also include having an income at or below 150% of the federal poverty level. Further, for the reasons discussed herein, this rule should be changed to allow automatic enrollment and on-line verification (where the customer is not required to sign a document).

pointed out that the bulk of lifeline funding, even in states that provide some state-level funding, still comes from the federal jurisdiction. Thus it is reasonable for this Commission to standardize the eligibility criteria by allowing consumers with low incomes who do not participate in other low-income programs to participate in the Lifeline program.

Yet a state, for some reason, might not wish its state-provided funds to be used to support consumers who merely have low incomes but might insist that the consumers must also participate in other low-income programs. This decision effectively denies to many low-income consumers the support that this Commission should provide, reduces the number of customers receiving lifeline, and restricts telephone penetration. This conflicts with the universal service purpose of the federal Act.

If the Commission decides to acquiesce in the state limitation policies, the Commission could address this issue by requiring states and LECs that have state-supported programs which exclude non-participants in other low-income programs to also offer a non-state-supported federal Lifeline program with income-based eligibility. Such states and LECs would offer a Lifeline tier with benefits limited to the SLC plus \$1.75.⁷² Such states would then also have their programs that did not include income-based eligibility as an “enhancement” to the federal program.

There are other ways in which states can restrict participation in the state-funded programs. For instance, in Ohio the state-funded programs offered by Ameritech Ohio and

⁷² The SLC is increasing due to the CALLS and MAG Orders. *Access Charge Reform, et al.*, CC Docket No. 96-262, *et al.*, Sixth Report and Order (rel. May 31, 2000) (“CALLS Order”); *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, et al.*, CC Docket No. 00-256, *et al.*, Second Report and Order (rel. November 8, 2001) (“MAG Order”). This argues for changing the definition of the lifeline support amount from the current \$3.50. See 47 C.F.R. § 54.403(a). The definition should instead refer to “the amount of the federal subscriber line charge.” Other local service costs are not generally increasing nationwide. Thus the \$1.75 amount remains reasonable.

CBT exclude participation by customers who subscribe to vertical services such as call waiting and Caller ID.⁷³ Yet the Ameritech Ohio and CBT programs also include a “lower tier” program that follows the Commission’s rules by not including a restriction on subscription to vertical services. NASUCA submits that where states and/or LECs choose to offer partially-state-funded programs that limit the service available to participating customers, this Commission should require the offering of a “lower tier” fully federally-funded program without these limitations.⁷⁴

The impact of a two-tier lifeline program can be significant. Ameritech Ohio’s most recent Lifeline Report shows that it has 87,000 customers on the FCC lower tier plan, and 80,000 customers on the upper tier restricted plan. CBT’s figures are even more telling. CBT has 28,000 customers on the FCC lower tier plan and 14,000 on the upper tier restricted plan. Thus restrictions on subscriptions to vertical services substantially reduce the number of customers who receive lifeline assistance.

X. IMPACT ON LIFELINE AND THE UNIVERSAL SERVICE FUND

The measures proposed here, whether taken individually or collectively, should have a salutary effect on telephone penetration among low-income consumers. The size of that effect is impossible to predict. Hence the impact on the federal universal service fund is also

⁷³ The “state funding” in this instance comes from the ILEC.

⁷⁴ In Ohio, like the other states it serves, Verizon was required to offer an enhanced lifeline program pursuant to this Commission’s order allowing the Bell Atlantic/GTE merger. *In the Matter of the Application of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, for Consent to Transfer of Control*, CC Docket No. 98-184, Memorandum Opinion and Order (June 16, 2000) at 325. Despite the fact that the Commission directed the Bell Atlantic/GTE lifeline program to be modeled after the Ameritech Ohio lifeline program (*id.*), Verizon in Ohio has taken the position that it should be required to offer only one program in Ohio, rather than a two-tier program like Ameritech Ohio’s.

impossible to predict, other than to say that the amount of the fund will increase. The extent of the increase is, of course, dependent upon the efficacy and the efficiency of the administration of the various states' lifeline programs.⁷⁵

Currently, the low income fund is at a level of \$480 million (out of the total universal service funding of \$4.5 billion). *Universal Service Monitoring Report* (October 2001). It does not appear that improving the effectiveness of the Lifeline program -- by adopting the measures proposed here -- would create a substantial increase in the universal service fund. The end result of the measures proposed here would be that more low-income customers would receive assistance with their telephone service. The end result should also be that more low-income consumers would be on the public switched telephone network. This is the fundamental purpose of section 254 of the Act.

Respectfully submitted,

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⁷⁵ The impact on state lifeline funds will depend on whether each state adopts the federal standards for its state-funded programs.

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